

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY CLERK

**For The Year Ended
December 31, 2010**

The Auditor of Public Accounts has completed the Anderson County Clerk's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$51,146 from the prior year, resulting in excess fees of \$41,511 as of December 31, 2010. Revenues decreased by \$1,487,961 from the prior year and expenditures decreased by \$1,436,815.

Report Comment:

2010-01 The County Clerk Should Receive \$3,600 Expense Allowance When Excess Fees Are Available

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Wayne Conway, Anderson County Judge/Executive
The Honorable Jason Denny, Anderson County Clerk
Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Anderson County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated on May 23, 2011 our consideration of the Anderson County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable John Wayne Conway, Anderson County Judge/Executive
The Honorable Jason Denny, Anderson County Clerk
Members of the Anderson County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

2010-01 The County Clerk Should Receive \$3,600 Expense Allowance When Excess Fees Are Available

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Anderson County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 23, 2011

ANDERSON COUNTY
JASON DENNY, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

State Libraries and Archives Grant	\$	17	
House Bill 537 - Revenue Supplement			61,845
State Fees For Services			7,013
Fiscal Court			15,881
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	740,142	
Usage Tax		1,180,170	
Tangible Personal Property Tax		1,786,608	
Other-			
Fish and Game Licenses		5,199	
Marriage Licenses		4,686	
Occupational Licenses		72,347	
Deed Transfer Tax		52,629	
Delinquent Tax		507,640	4,349,421
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		11,903	
Real Estate Mortgages		40,406	
Chattel Mortgages and Financing Statements		45,166	
Powers of Attorney		1,521	
All Other Recordings		10,701	
Charges for Other Services-			
Candidate Filing Fees		8,803	
Notary Fees		2,128	
Copywork		7,728	
Housing Trust Fund		26,250	
Postage		1,367	
Refunds and Overpayments		388,503	
Miscellaneous		24,548	569,024
Interest Earned			172
Total Revenues			5,003,373

The accompanying notes are an integral part of this financial statement.

ANDERSON COUNTY
 JASON DENNY, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	494,914	
Usage Tax		1,144,399	
Tangible Personal Property Tax		646,759	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		4,937	
Delinquent Tax		45,159	
Legal Process Tax		17,383	
Affordable Housing Trust		26,250	\$ 2,379,801

Payments to Fiscal Court:

Tangible Personal Property Tax	164,558	
Delinquent Tax	46,388	
Deed Transfer Tax	49,998	
Occupational Licenses	68,730	
Tax Bill Preparation	2,907	332,581

Payments to Other Districts:

Tangible Personal Property Tax	890,375	
Delinquent Tax	262,538	1,152,913

Payments to Sheriff 44,055

Payments to County Attorney 68,271

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	275,141
Part-Time Salaries	1,233

Employee Benefits-

Employer's Share Social Security	24,988
Employer's Share Retirement	61,983
Employer's Paid Health Insurance	44,595
Other Payroll Expenditures	7,594
Training Fringe Benefit	672

The accompanying notes are an integral part of this financial statement.

ANDERSON COUNTY
 JASON DENNY, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Contracted Services-		
Advertising	\$	165
Printing and Binding		24,000
Other Contracted Services		31,293
Materials and Supplies-		
Office Supplies		17,615
Other Charges-		
Cell Phone		894
Conventions and Travel		3,017
Dues		780
Postage		4,819
Reimbursements		390,705
Libraries and Archives Grant		17
NSF Charges		614
Miscellaneous		1,312
Capital Outlay-		
Office Equipment		13,982
		<u>\$ 905,419</u>
Total Expenditures		<u>\$ 4,883,040</u>
Net Revenues		120,333
Less: Statutory Maximum		<u>78,822</u>
Excess Fees		41,511
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for 2010		37,911
Payment to Fiscal Court - February 15, 2011		<u>41,511</u>
Balance Due From Fiscal Court		<u><u>\$ (3,600)</u></u>

The accompanying notes are an integral part of this financial statement.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2010

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Anderson County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Anderson County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grant

The Anderson County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$3,820. Funds totaling \$17 were expended during the year. The unexpended grant balance was \$3,803 as of December 31, 2010.

Note 5. Leases

The Anderson County Clerk's office was committed to the following lease agreements as of December 31, 2010:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2010
Postage Meter	\$ 30	36 months	3/31/2013	\$ 450
Hardware and Software	\$ 2,225	60 months	5/13/2014	\$ 86,775

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Wayne Conway, Anderson County Judge/Executive
The Honorable Jason Denny, Anderson County Clerk
Members of the Anderson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Anderson County Clerk for the year ended December 31, 2010, and have issued our report thereon dated May 23, 2011. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anderson County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Anderson County Clerk's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2010-01.

The Anderson County Clerk's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Clerk's response and, accordingly, we express no opinion in it.

This report is intended solely for the information and use of management, the Anderson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

May 23, 2011

COMMENT AND RECOMMENDATION

ANDERSON COUNTY
JASON DENNY, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2010

STATE LAWS AND REGULATIONS:

2010-01 The County Clerk Should Receive \$3,600 Expense Allowance When Excess Fees Are Available

During the test of the Clerk's salary, we determined the Fiscal Court paid the County Clerk the statutory maximum of \$78,822 in 2010. The County Clerk turned over excess fees in the amount of \$41,511 to fiscal court on February 15, 2011. Per KRS 64.017, the County Clerk should receive \$3,600 in expense allowance payments during years in which excess fees are available. The expense allowance is to be paid in addition to the regular salary. We recommend Fiscal Court return \$3,600 to the County Clerk as expense allowance for the unpaid amount in 2010.

County Clerk's Response: In the future, I will be working closer with the Finance Officer to ensure that proper salaries are paid to this office including expense accounts.

County Judge's Response: The County Judge Executive will bring this matter to the Court's attention on June 7, 2011 and upon the Court's approval, we will reimburse the County Clerk \$3,600 as salary subject to withholdings in expense due to him in 2010.

